

*Ernst G. Ernst***THE DIRECTOR OF CENTRAL INTELLIGENCE**

WASHINGTON, D.C. 20505

DDI #2644-82

1 April 1982

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence

VIA: Chairman, National Intelligence Council

FROM: Maurice Ernst
National Intelligence Officer for Economics

SUBJECT: Functions of the NIO for Economics

1. You asked me to spell out my views as to the functions of the NIO for Economics. The NIO/EC must deal with:

- A vast field, with both global and geographically limited topics;
- Domination of the CIA/DDI as a producer of economic intelligence within the Intelligence Community, there being little capability elsewhere in the Community;
- But vast economic expertise in the private sector, and some expertise elsewhere in the government;
- A large, but dispersed, competitive and rarely cohesive economic policy community;
- Dispersion of the CIA/DDI's economic work and expertise among six offices.

2. These conditions affect the relative importance for NIO/EC of the various traditional functions of NIOs. Specifically, they enhance the importance of his functions as a point man for strategic economic warning, an account executive for intelligence support on key economic policy issues, and a stimulator for cross-cutting economic analysis within the DDI. At the same time, these conditions diminish his functions as an organizer of interagency intelligence products. They also force careful selectivity among innumerable possible topics as well as close cooperation with other NIOs and DDI experts. And obviously to be effective the NIO has to communicate well with you.

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3. The following illustrates more concretely what I believe the NIO/EC's main functions should be.

As a Point Man for Strategic Economic Warning

No function is more important than to alert the policy community about future or incipient problems or to give them a clear understanding of problems they already face. Through broad contacts with both the business and academic communities, as well as his reading of the implications of intelligence products, the NIO should stimulate and produce intelligence on international economic issues with important policy implications. For example:

- The trade and security implications of Japanese industrial and technological strategies;
- The impact of declining oil prices;
- The vulnerability of the international banking system.
- The implications for the US of Mexico's economic difficulties.

As the DCI's Account Executive on Key Ongoing Economic Policy Issues

What is needed here is not merely a go-between the policymaker and the DDI, but rather a focal point for helping to organize the intelligence support effort on selected economic policy issues. This role requires being thoroughly clewed into the policy questions and processes as well as the capabilities and limitations of intelligence producers. It entails, not a passive acceptance of requirements imposed by various policy officials, but rather a careful sorting out, prioritizing, and sometimes recasting of these requirements and a determination of the best way the US Government's needs can be met. In other words, the NIO should help both to direct the application of Intelligence Community, especially DDI, resources to priority tasks and to protect these same resources from unnecessary or less important demands.

Some of the recent key policy accounts which could be handled by the NIO/EC are:

- East-West economic policy, including the Yamal pipeline issue and the credit issue;
- Energy security policy;
- Policies concerning LDC financing and debt;
- Foreign investment and aid policies.

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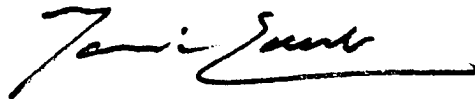
As a Stimulator for Cross-cutting DDI Economic Analysis

This is a function that could be, but is not now adequately performed entirely within the DDI. The NIO/EC can provide useful assistance to the DDI and the Office Directors by reviewing economic intelligence production and research plans and suggesting important topics and perspectives that tend to fall between organizational stools.

As a Manager of Interagency Products

There is little need for formal Intelligence Community products on global economic issues, because most key government actors are outside the Intelligence Community. On such issues it will normally be more productive to organize a DDI or NIC assessment, often with substantial help from and consultation with private experts. The NIO/EC, however, should work closely with other NIOs in producing country or area-oriented NIEs or IIMs with important economic aspects, and in some cases can act as the principal manager for these products. For example:

- The implications of growing Soviet economic difficulties;
- Chinese economic modernization.



Maurice C. Ernst

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